

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 RSC-01 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-02 H-02 FEA-01 INT-05 DODE-00 PA-02 USIA-15

PRS-01 NEA-09 EA-10 IO-10 SAJ-01 /137 W

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R 131155Z JAN 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7203

INFO AMCONSUL HAMBURG

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652:

TAGS: EFIN, GW

SUBJECT: PRESS REPORTS ON BURNS/SCHMIDT MEETING
IN HAMBURG

1. SUMMARY. THIS MORNING'S QUALITY PRESS GENERALLY HAS LOW KEY REPORTS ON THE BURNS/SCHMIDT MEETING IN HAMBURG AND INDICATES THAT A COMPROMISE MIGHT BE DEVELOPING WHEREBY THE UNITED STATES AGREES TO A ONE YEAR EXTENSION OF THE IMF OIL FACILITY IN RETURN FOR EUROPEAN AGREEMENT TO THE SOLIDARITY FUND. APEL IS QUOTED AS SAYING THAT HE HAS MADE CLEAR THAT THE FEDERAL REPUBLIC IS NOT PREPARED TO CONTRIBUTE ANY
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BUDGET FUNDS. END SUMMARY.

2. THE HANDELSBLATT INDICATES THAT FINANCE MINISTER APEL AS WELL AS BUNDESBANK PRESIDENT KLASSEN ATTENDED THE MEETINGS ON THE GERMAN SIDE AND THAT QUESTIONS RELATED TO THE REPERCUSSION OF OIL DOLLARS ON THE INTERNATIONAL MONETARY SYSTEM SEEMED TO BE THE MAIN TOPIC OF CONVERSATION. THE HANDELSBLATT CONTINUES THAT IT SEEMS THAT THE WEAKNESS OF THE DOLLAR WAS NOT ONE OF THE TOPICS OF CONVERSATION, BUT IT IS LIKELY THAT QUESTIONS CONCERNING THE LOWERING OF INTEREST RATES IN THE US AND THE FEDERAL REPUBLIC MIGHT HAVE BEEN DISCUSSED. THE FRANKFURTER ALLGEMEINE REPORTS THAT NO DETAILED INFORMATION WAS GIVEN OUT BY OFFICIAL GERMAN SPOKESMEN CONCERNING THE TOPICS DISCUSSED BETWEEN BURNS AND SCHMIDT, BUT IT IS UNDERSTOOD THAT THE MEETING TOOK PLACE AT THE REQUEST OF PRESIDENT FORD. THE PAPER INDICATES THAT OBSERVERS BELIEVE THAT THE QUESTION OF OIL DOLLARS AND THE INTERNATIONAL MONETARY SYSTEM WERE DISCUSSED AND THAT THE MEETING HELPED TO PREPARE THE MEETINGS OF THE IMF. RUMORS IN WASHINGTON, ACCORDING TO THE PAPER, INDICATED THAT BURNS MIGHT HAVE TRIED AT THE REQUEST OF PRESIDENT FORD TO IN THE LAST MINUTE ELICIT SUPPORT BY THE FEDERAL REPUBLIC FOR THE KISSINGER SOLIDARITY FUND. IN A SEPARATE STORY, THE FRANKFURTER ALLGEMEINE REPORTS FROM NEW YORK THAT A COMPROMISE IS BEING SOUGHT BY WHICH THE UNITED STATES AGREES TO THE EXTENSION OF THE IMF OIL FACILITY FOR ANOTHER YEAR IN RETURN FOR EUROPEAN ACCEPTANCE OF THE KISSINGER SOLIDARITY FUND.

3. THE MOST EXTENSIVE REPORT ON THE BURNS/SCHMIDT MEETING IS CONTAINED IN DIE WELT WHICH HEADLINES ITS STORY "APEL MAKES CLEAR : NO MONEY FROM THE BUDGET FOR OIL AID FUNDS." DIE WELT REPORTS THAT THE BURNS/SCHMIDT CONVERSATION EXTENDED FOR FIVE HOURS AND CENTERED ON THE KISSINGER SOLIDARITY PLAN. ACCORDING TO DIE WELT, SCHMIDT AND KLASSEN OUTLINED THE GERMAN RESERVATIONS CONCERNING THE KISSINGER PLAN

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CEA-01 L-02 H-02 DODE-00 PA-02 USIA-15 PRS-01 FEA-01

INT-05 NEA-09 EA-10 IO-10 SAJ-01 /137 W

----- 009146

R 131155Z JAN 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7204

INFO AMCONSUL HAMBURG

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AND ARE REPORTED TO HAVE FOUND UNDERSTANDING OF THE
GERMAN POSITION BY BURNS. ACCORDING TO DIE WELT,
THE MAIN GERMAN RESERVATIONS ARE THE FOLLOWING:
(A) TOO EASY A FINANCING THROUGH SUCH A FUND TEMPTS
DEFICIT COUNTRIES TO FINANCIAL CARELESSNESS. (B) IT
IS DIFFICULT TO TELL TO WHAT DEGREE BALANCE OF
PAYMENTS DEFICITS ARE DUE TO THE HIGH OIL PRICES AND
TO WHAT DEGREE THEY HAVE OTHER CAUSES SUCH AS THE
DEVELOPMENT OF INFLATION. (C) THE FEDERAL GOVERNMENT
HAS AT THE MOMENT SERIOUS FINANCIAL PROBLEMS CONCERNING
THE MAGNITUDE OF ITS PUBLIC EXPENDITURES. IT
THEREFORE IS NOT IN A POSITION TO ACCEPT FURTHER
INTERNATIONAL OBLIGATIONS OR GUARANTEES WHICH COULD
BECOME A BURDEN ON THE GERMAN FEDERAL BUDGET.
(D) UNTIL NOW THE OIL-PRICE-CAUSED BALANCE OF PAYMENTS
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DEFICITS HAVE BEEN FINANCED WITHOUT UNDUE DIFFICULTY.
THE FEDERAL GOVERNMENT IS UNDER THE IMPRESSION, WHICH

HOWEVER IS NOT SHARED BY OBSERVERS IN THE UNITED STATES, THAT THE UNITED STATES GOVERNMENT TOO NO LONGER CONSIDERS THE KISSINGER SOLIDARITY FUND MODEL AS URGENT AS PREVIOUSLY.

4. DIE WELT QUOTES FINANCE MINISTER APEL AS SAYING, PRIOR TO BOARDING HIS PLANE FOR WASHINGTON, "WE HAVE AGREED THAT THE KISSINGER PLAN IS FOR US A GOOD SOLUTION TO CREATE THE NECESSARY UNITY AMONG THE WESTERN INDUSTRIAL NATIONS. BUT I HAVE MADE CLEAR TO BURNS THAT NOTHING WILL BE PAID OUT OF THE FEDERAL BUDGET NEITHER THIS NOR NEXT YEAR. WE ARE SHORT OF FUNDS. WE WILL CONSIDER IF WE CAN JOINTLY GUARANTEE. A GREAT JOINT GUARANTEE OF THE WESTERN INDUSTRIAL NATIONS--IN THIS REGARD I AM READY TO COMPROMISE. AFTER ALL, WHAT IS AT STAKE ARE OUR EXPORTS AND THEREFORE JOBS HERE (IN GERMANY)." COMMENT: THE FINANCE MINISTRY DOES NOT HAVE AS YET A TEXT OF THE APEL REMARKS BUT TELLS US THAT DIE WELT REPORT IS GENERALLY ACCURATE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, PETROLEUM, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BONN00483
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750012-0475
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750158/aaaabyvd.tel
Line Count: 190
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 04 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 APR 2003 by MarshK0>; APPROVED <06 JAN 2004 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRESS REPORTS ON BURNS/SCHMIDT MEETING IN HAMBURG
TAGS: EFIN, ENRG, GE, US, IMF, (BURNS), (SCHMIDT)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006